BLUE DART
EXPRESS LIMITED

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November 07, 2023

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort
Mumbai – 400 001
Scrip Code - 526612

To,
National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra East,
Mumbai – 400 051
NSE Symbol - BLUEDART

Sub: Transcript of analyst/investors conference call - Disclosure under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sir/ Madam,

We refer to our intimation dated October 30, 2023, notifying schedule of 'Investors Call' organised through M/s. Motilal Oswal Financial Services Ltd. on November 02, 2023, to discuss corporate performance for the quarter and half year ended September 30, 2023 and audio recording of the same submitted on November 02, 2023.

Pursuant to requirements of law, please find enclosed herewith, transcript of the Investors call which is also made available on Company's website viz; www.bluedart.com.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For **Blue Dart Express Ltd.**

TUSHAR JAYANT GUNDERIA
Digitally signed by TUSHAR JAYANT GUNDERIA
Date: 2023.11.07 16:09:05 +05'30'

Tushar Gunderia
Head (Legal & Compliance) &
Company Secretary

"Blue Dart Express Limited Q2 FY24 Earnings Conference Call"

November 02, 2023

MANAGEMENT:	**MRS. SUDHA PAI -- CHIEF FINANCIAL OFFICER -- BLUE DART EXPRESS LIMITED** **MR. VAIDYANATHAN IYER -- GROUP CHIEF FINANCIAL OFFICER -- BLUE DART EXPRESS LIMITED** **MR. KETAN KULKARNI -- CHIEF COMMERCIAL OFFICER -- BLUE DART EXPRESS LIMITED**
MODERATOR:	**MR. ALOK DEORA - MOTILAL OSWAL**

Alok: Good afternoon everyone and welcome to the interaction with the management of Blue Dart. Firstly, I would like to thank the management team of Blue Dart Express for giving us the opportunity to host this call. Today we have with us Mrs. Sudha Pai, who is the CFO of Blue Dart Express, Mr. Vaidyanathan Iyer, Group CFO of Blue Dart Express, and Mr. Ketan Kulkarni, Chief Commercial Officer of Blue Dart Express.

Without much ado, I would request the management team to provide some opening remarks on the 2Q performance and then we can start the Q&A session. Thank you and over to you.

Vaidyanathan Iyer: Yes, good afternoon to all. We have already shared the results with you all. Revenue has been higher than the previous quarter. Profitability margins have also improved over the previous quarter. The induction of the two aircrafts, which we mentioned in the last interaction are now already in the system and it's operating in all the – the full quarter it is operated. The costs have got absorbed into the system.

The only thing left out is, we are planning to add one more location into the Guwahati station or the North East station. That is still, work in progress, so, in this quarter, that could also be in that we start adding, generating some additional revenue for us. So, that's it. Otherwise, you all have the results with you all, we are open for any specific questions. And Ketan, if you have any opening remarks, you can please.

Ketan Kulkarni: Yes, no opening remarks. Thank you, Iyer.

Alok: So, thank you so much. So, anyone, any question, can please raise their hands or post the question in the chat box below. So, as the questions come in, I had a couple of questions, which I had received separately, you put in during the call. First was on the volume side. So, how are we seeing the volumes? Because the volumes have still not really picked up. And just some color on the volume side, how are we looking at that? Once these new aircrafts are now completely up and running, so how are the volumes looking like for 3Q and for fourth quarter?

Vaidyanathan Iyer: See, I don't know what basis you're saying that the volumes are not picking up? The revenue has picked up. The volumes correspondingly has been higher than the previous quarter. On the aircraft part of it, they are currently operating in the current routes, because one of their aircrafts was under maintenance. So, this added to the capacity or replace that capacity. Once the new station starts, you will have the full six plus two, eight aircraft operations. That time, you will have those added capacity being fully generating additional revenue.

Yes, Ketan, do you want to add anything?

Ketan Kulkarni: No, I think you covered, the question was on volumes, but there is a growth in volumes. So, I think that the point was possibly missed by that.

Alok: Sure, and the one question we also have in the chat window, what's the air and ground express revenue mix for the quarter? And how is it a Y-o-Y?

Vaidyanathan Iyer: See, normally we operate on one single segment, door to door. So, these air and road breakups are not normally spoken about, but they are in a similar proportion like last quarter and ground and air B2C are growing are the two growth drivers and they're growing at a good pace as compared to and even domestic documents also are growing at a faster rate.

Alok: Sure, anyone has a question, can please raise their hand. Sir, one question is there in the chat on the realization when the realization is expected to improve and what would be the sustainable PBT margins ahead?

Vaidyanathan Iyer: Repeat the question, the aviation is going to improve?

Alok: Realization.

Vaidyanathan Iyer: Realization, okay. See, once we, the additional aircraft capacity is fully in the system with six plus two aircraft operations, the normal way in which this happens is, if you are taking any loads on commercial airlines in these segments, those go on to the new capacity and it starts filling that.

So, we don't pay anything to outside for purchasing outside capacity. Then you have the existing express product growths, taking space in this and any left out space is the low premium airport to airport loads going to it. Now, the faster we replace the airport to airport with the express load is where the realization starts improving.

Normally, in this the replacement happens immediately and over possibly one or two quarters, it reaches the desired level of a good mix of express and a very low airport to airport.

Alok: Sure, and what could be the sustainable PBT margins ahead?

Vaidyanathan Iyer: See, it'll be at the same level as what we said before the COVID you look at three, four quarters of operation that's really a stable state kind of a disk. So, PB -- if you're talking operating margins, it will be at that level. It will be around a little double digit kind of operating margin.

Alok: And for this -- the new aircrafts which were added in the second quarter, actually, we started in the second quarter, all the costs related to that have now come in or how is the start-up related costs, all those are now in the

Vaidyanathan Iyer: That's already a full, that's what I, in my opening statement, I said that a full quarter, we have operated the aircraft. So, the aircraft related costs have already in. If you're adding more sectors, the operating cost will keep varying between how many hours extra you're operating. And that will obviously be compensated by the revenue generated or cost saved by carrying those loads.

Alok: Got it. So, we'll also take one question which is there in the queue from Mukesh Saraf. Please go ahead.

Mukesh Saraf: Thank you so much for the opportunity and good afternoon. So, I've missed some of your initial remarks, but my question is largely, the first question is, could you give some sense on the revenue mix that you have between say B2B and B2C right now?

Vaidyanathan Iyer: See, normally these product level or the breakups, we don't, are not in the public domain and nor we give that because for us, it is a, we are operating on a single segment, door to door service, which we are doing. But what we've also stated is that, our product wise growth is, your B2C is definitely growing faster and the surface is another growth lever for us. So, these two are growing faster than the other products.

Mukesh Saraf: All right. And the two new aircrafts that you added, what would be the load factors right now we're operating with? I did hear in your previous remarks that the initial costs are obviously now done with, but the benefits will come in at, obviously at optimal load factors. So, what would be the current load factor we're operating at for these two aircrafts?

Vaidyanathan Iyer: See, we don't like the aircraft to go light. So, we will always have a high load factor. The challenge is to have a high premium into that mix that is what happens over time as we start replacing the low premium loads with the higher yield loads. So, if you look at the load factor, the day we put it into service, we would always like to have minimum wastages. So, it will be a very high load factor right from day one.

Mukesh Saraf: Okay. And I think you also mentioned that one aircraft was under maintenance.

Vaidyanathan Iyer: Yes.

Mukesh Saraf: So, when would that come back? And so...

Vaidyanathan Iyer: It's already come back.

Mukesh Saraf: It's already come back. It's already back. And so, we'll be now servicing new routes with these additional aircrafts?

Vaidyanathan Iyer: That's planned. We are just getting the facility ready in the Northeast. So, once that is done, hopefully, end of November, beginning of December is what we are targeting that.

Mukesh Saraf: So, these new routes as well, we'll start with high load factors. We have that kind of visibility?

Vaidyanathan Iyer: Yes, Yes. That would happen when we start the new route. We already build up the loads before we put in the capacity and take it through the commercial line aircrafts. And then it replaces, it comes into our capacity three, what we are creating.

Mukesh Saraf: Okay. And just my last question is, on the ground express business, are you seeing any pricing pressures there from competition? Obviously, in the air side, we are a major player, but we do see a lot of players in the ground express side aggressively looking to expand. So, could you talk some bit about how that industry there is shaping up in terms of pricing and volumes?

Ketan Kulkarni: Yes, this is Ketan Kulkarni. I'll take that. So, Yes, the ground express business, essentially, is seeing a lot of growth. And as my colleague Iyer said earlier, the percentage growth is much better than the air package business there, essentially, because of the macroeconomic construct that is happening with the improved infrastructure, easing of documentation through GST, e-waybills, etcetera. So, the whole business, the whole industry is growing, and Blue Dart is growing faster than the market or faster than the industry. We regularly get this validated by external consultants, and they're always one of the big four.

So, we're very strong with, and happy with what's happening on the ground express bit for Blue Dart. Of course, the market is very crowded, you know, and we are also a tad higher in terms of RPK or yields than the market, but that's how we have always operated. We've always believed and sold our solutions, which bring a lot of value to the logistics manager.

So, pricing premium is not the word for it, but very much value-driven, because the logistics manager purchases a Blue Dart service for the value he sees. And going ahead, too, we are focused on three or four industries. We solution them very well. We have created bespoke solutions for those industries, like vehicle off-road service for auto, etcetera. So, that space is a focus area for Blue Dart, growing ground express packages.

Mukesh Saraf: Right, so you mentioned that, obviously, your yields are higher, but is there any, I mean, any pressure there where you're not able to increase yields further because of competition, or that's not the case?

Ketan Kulkarni: Yes, Yes, so let me repeat myself. I didn't say our yields are high. I said our yields are higher because of the value and the solutioning we bring to the table. And the point is that our growth is higher than the growth in the market the others are growing at. We have improved our market share, so that ebbs away your second question on the challenges we are facing in growing your share of wallet on new customers.

Mukesh Saraf: Great, great, thank you so much.

Alok: Thank you. So, we take our next question from Mr. Jonas Bhutta from Birla Mutual Fund. Please go ahead.

Jonas Bhutta: Yes, thank you. Just a two-part question. So, when we see the air cargo data, we see that Blue Dart's volumes have de-grown for the period until August compared to an industry average of remaining flat on a Y-O-Y basis for that comparable period between April and August. So, here, how should we think of this? Have we lost market share or a lot of our volumes are still reliant on belly cargo, and hence, it's not reflective in the DGCA data? If you can help us understand, because the de-growth is pretty sharp compared to the industry average? Yes, that's the first part of my question.

Ketan Kulkarni: Yes, I can take it. And if I'm missing a point, you can come. The DG, Jonas, the DGCA data is about cargo. Our business is express. So, there is an element from that cargo which we draw out and convert into express, and then look at our market share in that carved-out express from the entire cargo business that IATA or DGCA would kind of report. So, internal estimates show that Blue Dart market share, even this year, in the first two quarters of the financial year, has improved over the similar period last year. So, I think comparing cargo data to express volumes would not be the correct slice and dice to kind of compare. Over to you, Iyer, if you have anything.

Jonas Bhutta: So, sorry, so, you know, and you probably just have to handhold me here. So, what I was comparing it to is the overall air cargo data versus what's flown on our aircraft. What you're telling us is there's a carve-out of some express volume, if you can elaborate?

Ketan Kulkarni: Yes, so express is door-to-door. Cargo is majorly airport-to-airport. So, we carve out from the cargo tonnage that DGCA would kind of report what would be the express. So, we have the algorithms kind of deducted or deduced is the correct word. Again, we've worked very closely with one of the big four on how to do it. And when we carve out the express volume in the country, we have seen a growth in our market share.

Jonas Bhutta: And this entire, you know, one of the key drivers for our ground surface business growth was also this entire solutioning, merging of the air piece with the ground piece. You know, are there any KPIs that you'd want to highlight to us in terms of how is that progressing and how is that helping us retain premium pricing at a composite level, while you did allude to an earlier question where an auto-specific solution yields you better realizations. But this entire solutioning from an air-to-ground perspective any KPIs that you would want to sort of talk about?

Ketan Kulkarni: Yes, so I'll break your question into two parts. The auto solutioning was, of course, an example. We have similar solutioning for life science, healthcare, or even consumer electronics etc. But as you kind of also in your question mentioned that air cargo tonnages are flat, express also will be a part of that overall market.

So, ground is kind of getting a lot of volume from air and we will see that kind of happening also in the near future. And at the same time, we are fairly confident of air volumes in express also returning back as the market kind of stabilizes itself. It is at a growth trajectory that's very, very envious.

For other nations, China plus one will boost the manufacturing activity. We are already seeing that. We are seeing billions of dollars getting into logistics. So, the inefficiency index of logistics is also very high in the country compared to the developed nations. So, if you see from, I mean, look down upon the logistics industry from a higher level, the headroom across all areas to grow are phenomenal.

Be it in warehousing, be it in e-commerce logistics, be it in air or in surface. So, we have our fingers in all aspects of those areas where we operate. So, we are very, very confident of improving our market shares in all areas we operate, very confident of growing our share of wallet with the customers we operate. And also, the new customer acquisition engine at Blue Dart is over the last 12 to 18 months. Since things have stabilized a bit, it's also kind of kicking very, very fast.

Jonas Bhutta: Yes, appreciate your answer. Just one quick one if I can squeeze in, if we can talk about the festive season and these e-commerce days that have sort of gone by, while they fall in the third quarter, but just initial signs of how they have progressed and because the last two years were not that great. So, any early indications or signs of how that's playing out? And that's my final question.

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Ketan Kulkarni: Yes, so generally, I'll talk for the industry, not so much for Blue Dart here. The industry, from syndicated reports, is supposed to grow from within a range of maybe 20% to 30%. But just a fortnight ago, one of the largest portals in the country, or the largest, gave his numbers for the last financial year which were just single digits. But of course, the growth has come beyond those single digits now.

And the green shoots, at least as we look at October, and as you rightly said, a major part of the festive season, we are in it now because Diwali kind of kick starts everything, Dussehra and Diwali, so we are into it now. And the green shoots are very, very visible that this will be a better festive season than what we had last year.

Jonas Bhutta: Yes, thank you and all the very best.

Ketan Kulkarni: Thank you.

Alok: Thank you so much. Sir, we'll take the next question from Mr. Abhishek Ghosh. Please go ahead.

Abhishek Ghosh: Yes, thank you so much for the opportunity. So, just a few questions. In terms of between air and road, if you can help us articulate the overall individual growth rate that can happen in each of the segments, while the overall growth rate may be about the 67% for you, but between road and air, if you can help us break it up, that'll be helpful.

Vaidyanathan Iyer: Is it historic or you're talking about going forward?

Abhishek Ghosh: So, I'm more referring to the historic growth rate, what has been actually happened.

Vaidyanathan Iyer: We normally don't give individual -- this one, it's overall, but we definitely mentioned that our three road major drivers are surface, air B2C, these two definitely grow faster than the other products.

Abhishek Ghosh: Okay. And so the other thing is, in the quarter two, the growth rate in the volumes that we have seen has been muted is also because of festive season being a little delayed. Is that the reason? Which has also led to a little bit of a muted growth rate as far as the two-fuse is concerned. Should we also read it that way?

Vaidyanathan Iyer: See, one is you're comparing with the year, previous year, which was still a pandemic year going, declining over time. So, a '22 versus '23 comparison will always have element of that. But as Ketan also said that in the next quarter, the expectations are the festives would certainly be better than last year.

Abhishek Ghosh: And so the other thing is, you know, you've spoken about this annual price hike that you've taken. Just wanted to get a sense around from the usually 9% to 10% kind of a price hike that you announced. Historically, what has been the trend in terms of post discounts? What is the kind of price hike that actually kind of sticks into your volumes or cargo? Any historical trend that you'll be able to help us with?

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Vaidyanathan Iyer: We can only say that it covers the, you know, the cost increases, which are the inflationary increases, it covers that, you know, can't give you a, but of course, you know, everybody does not, the rack rate or the published rate, there will be some high volume customers who looked at favorably.

Abhishek Ghosh: Okay. So, because, you know, over last three to four quarters, what we have seen is your margins have only trended downwards. Partly it was because of the negative operating leverage, because of the two new aircrafts getting added. Also, there were issues around the ATS being increased disproportionately and not being able to pass on. So how should one broadly look at your margins in a medium term to long term? What is a sustainable margin profile because we have seen fair amount of weakness over the last three to four quarters. So how should we kind of look at it from that perspective?

Vaidyanathan Iyer: See, I think in the last interactions also, I don't know whether you were there, we mentioned that, comparing a COVID year where the, you know, the margins were definitely looking out because looking up because of the specific situation. The comparison of four quarters in a partly in a pandemic and going forward maybe not right.

Also, we said that, you know, we added capacity, aircraft capacity. So there will be initial period of when you add capacity, there will be some time before the capacity starts getting, generating, breaking even and contributing to profit.

So you will, this is only one, one and a half quarters of it, the aircraft induction being there. So possibly you keep looking at it and observing, I think in one or two quarters, we should be back to pre-COVID levels, definitely.

Abhishek Ghosh: And just to get that thing right. So today you are on standalone basis, you are just about sub 10% margin. I'm saying, is Blue Dart structured itself for a 13% to 14% margin profile in this business or should it should one look at it differently? I'm just trying to get the range around.

Vaidyanathan Iyer: I wish it was true, you know, what you're saying and we would be celebrating, thanks.

Abhishek Ghosh: Okay, that's helpful. Okay, I'll come back and look for further questions. Thank you so much.

Alok: Thank you so much. So, sir, we had a couple of questions in the chat.

First on the margin, so PBT margin in the last quarter was around 7% to 7.5%. How do we see the margins going ahead? And especially in a scenario where the surface is increasing and the B2C segment is growing faster. So some color on the margin in coming quarters.

Vaidyanathan Iyer: So I think we've spoken enough on the margins. It'll be at a -- exclude the pandemic years and we would be at the similar level. Product wise, when you're talking of the normally have a similar kind of margins in all the products because we price it in a manner which gives us the basic margin which we desire. So we don't get caught into a price war where we reduce to get to gain market share. So the margins may not get too distorted or too different if one element grows faster than the other.

Alok: Got it. So, so we'll take some questions from the chat box,

So first would be, is there any slowdown in the air express and any, any comments you can give on the air express, particularly how it has been in the last few months and what's the outlook particularly on air express?

Ketan Kulkarni: Yes, so see air structurally as a business, as I said earlier in my comments to one of the other participants on the call, the air cargo market numbers are looking flat for the country. Totally the business is about 2 million tons to 2.5 million tons of cargo and that's kind of split 60:40 between international and domestic.

And whilst air cargo and air express maintain their growth in single digit, that's going to happen because the natural tailwind that the economy is going to give industry that will enable that to happen. But surface will definitely be in double digit growth, that's what I mean, the syndicated data points and even our triangulations, which we do internally to correlate kind of direct and guide us towards.

Alok: Sure, one more question we take from chat then we will go to the queue.

How much is the document business contribution now in the revenues as well as the profits? And is there any market share loss in the same?

Vaidyanathan Iyer: The market share part I think, Ketan has already covered.

Ketan Kulkarni: Yes, I'll first give you the brief on, the second half of your question, we'll take it first. So the document business has been a strength at Blue Dart ever since our inception 40 years ago on the 19th of November, we'll complete 40 years. Document has been the mainstay and the cash cow of the business.

We have a very high market share. We're very strong in the secure document piece, which essentially means debit cards, credit cards, passports, etcetera. So wherever you need a 24x7 visibility, you need a tunnel that's secured to move documents, Blue Dart is the first port of call for entire industry, which comprises of banking, financial services, insurance, travel, tourism, etcetera. So we are far ahead in terms of the second, third, fourth, fifth, sixth player. All of them combined do not hold the market share in documents that Blue Dart holds. So very strong presence, a very strong trajectory and a very differentiated offering that Blue Dart brings to the document space. Yes, and over to you, Iyer.

Vaidyanathan Iyer: No, as we said, we don't give individual growth rates, you know, but overall you can get a sense of how it is.

Unknown Analyst: Yes, hi, thanks. So, you know, just to dwell down on your earlier comment that air express is structurally seeing single digit growth while the surface will continue to grow faster. Is it just that the volume in the air express is not increasing that much, or is it that people are shifting from air express to the ground? Given that the better infrastructure is there, you know, Golden Quadrant is there, you have the railway freight corridor coming up. So is it the shift structurally happening from air express to the surface, which we are also capturing? Or is it two segments, you know, growing differently?

Ketan Kulkarni: Yes, I think your question had the answer itself. One is that structurally the need, if I was a logistics manager and my need to ship on air and surface will be different. So that's not going to change. Certain industries, certain lanes, certain geographies are going to necessitate a logistics pipeline, whereas some others will necessitate movement on a surface logistics pipeline.

So within them, these will be two differentiated offering. One comes at yields that are nearly four to five times the other, but that is compensated with transit times that are much, much faster, etcetera, etcetera. So the needs for both segments will remain in the market.

But even if you read any industry paper, because as I said earlier in this call, do the underlying factors on both, air with the increasing number of airports for passenger, and number two, also the focus now of the government of -- on cargo at airports. So most of our major cities will have two or more airports, and that will kind of increase. Belly space will be available. More freighter aircraft will come in. So air will have its own trajectory of growth.

And at the same time, with improving road infrastructure, better paved roads entering Tier 2, Tier 3, and Tier 4 towns, surface will have its own trajectory of growth. And the best part is that Blue Dart is the only, and let me repeat that word, only operator in the country today that can get the benefits of both the areas of express growing air and ground.

Because if you compare me to competition, which is non-existent in air, or compare me with competition, which I face on surface, my improving market share year on year, my new customers being added, share of wallet improving with current customers kind of reaffirms the solution that we bring to the market on surface.

And what we bring to the market on air is, I mean, already established over the last 40 years. We were the first to bring freighters for express, and we are the only one flying freighters today. And last year we added two more Boeing, which is a huge, huge capacity expansion, a huge investment, and only kind of reflects the confidence we have on the air business and also the surface business, which we are also heavily invested into.

Unknown Analyst: Got it, Yes, thank you. And you know, the two aircraft which we have added, and by what time you would be able to scale it up to the maybe 70%, 80% capacity utilization? I think it's already have some capacity buildup, which we're going to the building, it's up to your own aircraft now? But for them to come to your company level profitability, is it already there or it will take some one or two quarters, three quarters to go?

Vaidyanathan Iyer: As mentioned, the capacity utilization will be right from the time when we inducted the aircraft, because that is not never an issue for us. It is only the yield contribution having express loads versus that. That takes normally one to two quarters till we build up and replace the low yield cargo with the higher yield ones.

Unknown Analyst: Okay, got it. And lastly, on the competition, I know we see that last from September '22 to September '23, if I look at the trailing 12 months number for the Blue Dart, it's almost a flat

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number, INR5,000 crore here and there, INR5,100 crore here and there. So is it because of the competition? Is it because of the lower yield or is just purely shifting the mix?

Vaidyanathan Iyer: You're comparing last year versus this year. There are two reasons. One is during pandemic, we had international charters which was there, that segment is not there. So they express a normal traditional business continues to grow. The second is you have always this element of the cost of fuel and the fuel surcharge which we charge the customer. When the fuel rates are high, the fuel surcharge components becomes a little larger because that's a neutralizer.

So last year, the fuel rates were much higher than the current year. And that also, though it does not impact the profitability, but on the top line, it does certainly see a couple of percentage differences in the year over year.

Unknown Analyst: Okay, got it, got it. But at the same time, we have seen some almost like 15%, 20% jump in the operating and the employee cost. So year on year, I'm talking about for the one year time period. So is it now the running rate we have or is there any one off on this number?

Vaidyanathan Iyer: So the employee cost has got a year-over-year merit increases because everybody expects, we have to give the employees salary increases. And also some component is if the volumes increase your frontline capacity to service those volumes, you need to add those people in the system. So those are the two components. Otherwise, there is nothing abnormal in that.

Alok: Thank you so much. Sir we have some questions in the queue. But before that, I'll just take one question which we had in the chat.

So we had offered these discounts in September and October. So just some color on that reason for the discounts and how has been the response to that in terms of volumes and any qualitative comments on that?

Ketan Kulkarni: Yes, Alok, which discounts are you referring to?

Alok: We had put some, I think, press release on BSE that we will be offering 40% discount in September, October of this year.

Ketan Kulkarni: Diwali Express and Rati Express. Alok, that happens every year. And we have two parts to our business. One is the C2C, or rather three parts. One is the B2B, and the third is the B2C. So all these discounts apply to our C2C shippers, not to our B2B or B2C shippers. So this only applies at our retail counters and to a very small percentage of our business. So any contracted or contractual customers do not get this discount.

Alok: Got it, got it. So sir, we'll take the next question from the queue. So we'll take a question from Mr. Ash, please go ahead.

Ash: Yes, so sir, I wanted your views on the new initiative. So earlier last year or year before that, we had done some trial runs with the drones for Telangana government, if I'm not mistaken. So can you provide some color on that?

And the second question would be, since the DFC is now almost operational, or at least it's operational on the eastern side and western side will be operational in a year. So are we planning to enter into the rail cargo business or something like that, if you could just throw some light on these two? Thank you.

Ketan Kulkarni: Okay, I'll go first and then my colleagues can come in and add. On the drone piece, yes, we did a trial and we've not kind of commercialized the drone deliveries yet. But we are in early stages of another trial in terms of moving closer to commercialization at some period in time, not too much in the near future.

Let me also clarify that. So we are still in the trial mode on drones. And Yes, so that's as much as I have on drones. It's a project that's still alive and kicking at Blue Dart. And whenever is the opportune time, we will be ready to implement it, whenever the ecosystem kind of allows us to do that. That is on drones.

And your second one was on the rail corridor. Yes, so being in the express business, what we offer our consumers or customers essentially is a more agnostic movement, but very strong in terms of delivery on whichever mode we use, which is transit time, reach, shipment in-sent condition, etcetera, etcetera. Even today, some of our volumes do move on rail.

And as and when the rail ecosystem, the freight corridors, the landings, the connectors from the landings to the metros and the cities kind of improves, Blue Dart will definitely kind of explore that to a much, much larger extent than it is doing currently. Iyer anything on that? Sudha?

Alok: Thank you so much. We'll just take a follow up from Mr. Mukesh Saraf. Please go ahead.

Mukesh Saraf: Thank you, sir. Just had one follow up on my previous question regarding the two new aircrafts and the fact that you will see decent utilizations right from the beginning. So my question is actually, what kind of segments are these that we are trying to serve on these new routes? And what kind of modes of logistics were they actually using earlier before you introduced these aircrafts there? Some of it might come from belly cargo, but I'm not sure if everything of this is from the belly cargo space.

Vaidyanathan Iyer: Okay, so what we do normally when we introduce, before you introduce the capacity, the buildup of the loads happen and it starts using the belly cargo, as you rightly said. That obviously will not fill the full capacity, but we make sure that it fills at least a reasonable capacity. The balance can be filled through low premium airport to airport of this one, which will take it up to the reasonable capacity utilization which we aim to do.

Also what happens in this, we introduce a new sector, a new station. So in addition to, so this aircraft, when we introduce it, it will touch two or three existing stations and a new station. So all loads into the new stations, which were earlier going by the belly cargo will obviously go into this.

And then we simultaneously build up outbounds from that market, that station, so which will start once the aircraft, the capacity is put in, that loads, we start generating that loads and the balance, of course, through airport to airport. That's how the whole conceptually works. How fast we can replace the low premium with the high premium is how we do it. And the faster we do it, the faster it starts making money for us.

Mukesh Saraf: Right. Is it fair to assume that D2C, the e-commerce D2C would be one important segment in moving that low premium to high premium or to get that outbound load, the new outbound load that you're targeting?

Vaidyanathan Iyer: Yes, Yes. Every such thing would be an important segment. Definitely, e-com coming into those locations also would be a part of it.

Mukesh Saraf: Any other segments you would want to highlight? So like maybe top two, three segments that will actually fill in that cargo there?

Vaidyanathan Iyer: Anything which requires air connectivity and a faster transit times will definitely be a target for us.

Mukesh Saraf: No, the reason I'm kind of asking again is because I'm sure this cargo is already using some mode of transportation there. And now you're expecting that to move to air?

Vaidyanathan Iyer: See what happens when you use belly cargo, these are basically passenger aircrafts with a one and a half tons space available and that space is actually fought between multiple players. So each player getting 200 kgs, 300 kgs of load onto each flight. So you have to take multiple flights. It's an inefficient operation.

Mukesh Saraf: So the belly cargo I think is clear, sir, that can move clearly to the space?

Vaidyanathan Iyer: No, the point is that if you have a one ton of this, you have to use more…

Ketan Kulkarni: I think, Yes, just let me clarify to you. I think VN, and you clarify back whether I've understood it right. VN, what he wants to know is any new sectors or industries will fill the load? So, is that right?

Mukesh Saraf: Yes, Yes, basically, I mean, we don't understand that?

Ketan Kulkarni: No, no, but that's a very generic question. Out of Ahmedabad, because essentially it's such a pharma hub are Haridwar, you will see those loads coming out of Ahmedabad and Delhi. Mumbai, Chennai are banking, financial institution hubs or automobiles, so you'll see those loads.

So in terms of Guwahati, which is our new station, any new industry you will see is maybe a lot of tea manufacturing happens there, or maybe the Indian post had a poor connectivity. So those kind of nuances, geographic nuances will impact the loads out of or in to our aircrafts when they fly to a certain airport. Is that, does that answer you?

Alok: So we'll take our next question from Mr. Nilesh from the Invesco Mutual Fund. Please go ahead.

Nilesh: Yes, hi, so I have a couple of questions. So one is, maybe, could you give us a sense of basically what percentage of your revenues would be coming from the next day delivery related cargo?

Ketan Kulkarni: What related cargo?

Nilesh: Next day delivery.

Ketan Kulkarni: Next day delivery.

Nilesh: Meaning within 24 hours' time.

Ketan Kulkarni: Ah, so all, depending on the origin and destination pair, a major part of my air service will be next day. And depending on, again, the origin and destination pair, some part, not as major as air, will be 24 hours, even on surface. To give you an exact count of the revenue, I don't know if...

Nilesh: Not exact, but a ballpark, like maybe 70%, 80%.

Vaidyanathan Iyer: Because the metro-to-metro is the major currently, so it could be that, Yes.

Nilesh: So that's a reasonable percentage to zero down, around 80% can be the possibility. Okay, thanks a lot, that was my first question. And the second was, so I remember, I think, last quarter, last to last quarter, I think there was a strange thing which was happening, in that the ATF, the crude oil prices were falling, and ATF prices were going up?

And if I remember correctly, your contracts with the plans, especially with respect to fuel surcharge, I think they're linked to Brent. So there was a mismatch, and that's the reason you were getting hit, squeezed, I would say, because of this different movement. So you were trying to renegotiate with some of the clients to, so that I think both are linked, I mean, surcharge, I mean, the fuel price is the same? So any progress on that, because I know that has kept changing the situation, but any tangible progress on that front?

Vaidyanathan Iyer: I think we clarified last time itself that it is already handled and settled, so now there is no impact to us.

Nilesh: Okay, you mean to say the client contracts are now based on ATF?

Vaidyanathan Iyer: So there were two actions taken. One is we took it up with the oil suppliers, and showed them that, and discussed with them on the mismatch in the crude versus the ATF. And like we were impacted, the other airlines were largely also impacted, so they had also taken it up.

And they changed the mechanism, the oil companies changed the mechanism, and started giving a better price. So some part of the gap was addressed to the lower ATF cost. And we still are engaging them with saying that it's not fully addressed, the major portion is addressed, but a small portion is still in this.

But for that small portion, we were working with our customers to see how we can get something. So that is all handled. That was handled in March itself, so last quarter we had also stated that we are not no more impacted because of that.

Nilesh: Okay. So you mean to say now the whatever, so what is the main, you can say the focal point now? ATF prices is what we should monitor?

Vaidyanathan Iyer: No, our mechanism continues to be on the Brent, but your ATF prices is important because that impacts our costs.

Nilesh: So I still didn't get the...

Vaidyanathan Iyer: The link has to be in tandem, that means if the world crude prices are decreasing by 5%, the ATF price also, at least if it is not in the same month, at least in the subsequent month, there could be a monthly time, but it should happen that way.

Nilesh: Right, but that is unfortunately not in our hands, in nobody's hands, the jet fuel crack, the crack spread, they call it. So I mean...

Vaidyanathan Iyer: Why wouldn't it be in, maybe not as an individual...

Nilesh: Not necessarily every time, but Yes, but...

Vaidyanathan Iyer: That's why I said there's a month or two months lag, but as a cycle, it will always be, if you're impacted in a particular month, that gets compensated in the subsequent month because if the oil companies are importing crude, their cost is based on that, and it's only a refining cost which they are incurring locally.

Nilesh: Fair point, so I mean, only thing is every time you'll have to negotiate with your clients or the other way around to get those additional, I mean, the timing mismatches related thing, but...

Vaidyanathan Iyer: No, no, no, it doesn't happen that way. See, the contracts, this is the first time such a large difference which was found, which impacted us as well as the other airlines. Otherwise, a month or two gap between a particular month will have crude prices going down by 5%, whereas the ATF, they are only given 3%. The next month reverse will also be true that the crude may go down by three, the ATF may go down by 5%.

That mechanism was working well all this while, so there is no, and I don't think we will have to go to customers again and again. That, obviously, the customers will also not entertain. So this mechanism has been over time working pretty well and has been withstood the test of time, so I don't think there's an issue.

Nilesh: So basically, the mechanism stays?

Vaidyanathan Iyer: Yes, Yes.

Nilesh: Okay, fair. Fair enough, and just one last quick question. You said, obviously, you use the belly cargo of commercial airlines also to fly your cargo, some part of your cargo. So typically, what percentage of cargo is flown through belly cargo of other airlines?

Vaidyanathan Iyer: It will vary, because it depends on when are we introducing capacity. That time, the total equation will change -- but also, the load, if it is an offline station where our aircraft is not flying, we will have to rely on the belly cargo.

Nilesh: But typically, what percentage is generally?

Vaidyanathan Iyer: I don't think it's relevant. It will keep changing. It's not, see for us, as far as the customer is concerned, we have to give them a transit time. How we handle the network is not their moderation.

Alok: Thank you so much. So we'll take one question from the chat window. So the question is on the trains, which are becoming more efficient in terms of timings, and some of the players have started exploring the options of express trains, which is cheaper as compared to air. And so what's your thoughts on that and the competition from the train segment?

Ketan Kulkarni: Yes, so in fact, earlier also, I kind of mentioned when somebody raised a point on the dedicated freight corridor, and I think Iyer also kind of put it out in the answer that he gave earlier. He said, the customer is more concerned about the transit time, reach, and shipment in the sent condition being delivered, without any damage, pilferage, etcetera, etcetera. He is not too much concerned about the mode.

And that's what I had also said earlier, and Iyer kind of reiterated. We regularly evaluate the OD pairs, evaluate the transit times. That make us the best in class on those OD pairs, and design the mode of the shipment, how that is going to move.

So that's what we will continue going ahead. We recently came out of a project with one of the big four, in terms of governance of the network across the country. Which was also very, very mode agnostic. So that kind of gave us a roadmap over the next three to five years on how Blue Dart should expand, become a champion of the geography. And Yes, that's how we will kind of go ahead also.

Alok: Sure, so we'll take one follow-up question from Mr. Abhishek Ghosh, please go ahead.

Abhishek Ghosh: Yes, hi, sir. I suggest one thing, while you did speak about the competitive scenario in the air express, any comments on the competitive landscape as far as road express is concerned? Are there more players coming in, or is it getting more consolidated? Any thoughts on the same, sir?

Ketan Kulkarni: Yes, I will give my thoughts, Abhishek, but definitely you would have also read that the road space is becoming kind of consolidated a bit more. One of the large logistics players recently picked up one of our competitors, two of our competitors merged together, and another large supply chain player picked up a third of our competitors. So there's a lot of consolidation happening, and I think that's good for the industry.

That brings a lot of structure and kind of cleans up the path ahead. It makes it more invested in terms of larger players with the ability to invest in digitization, take a better infrastructure, etcetera, etcetera. So it just lifts the water levels for the entire surface industry in terms of capability.

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And we are also very happy to be in that space because Blue Dart has always believed that it will always sell a differentiated service on the elements that matter to the customer. And while that has happened, the best part is in spite of those consolidations happening, we have only seen our market share increasing. So a huge, huge validation from customers for the solutions that we bring to the table of a logistics manager. So that's how the industry is kind of shaping up.

Abhishek Ghosh: That's very helpful, sir. Thank you so much for that answer. So just one follow-up in terms of, are you seeing any reflection of this change in competitive landscape in your yields as far as the road is concerned?

Ketan Kulkarni: Yes, so I think on yields and margins, I'll pass it to Iyer. To kind of answer that.

Vaidyanathan Iyer: See, yields, we have not seen very great differences because these events have just happened and for us, we are already at a premium and of course, premium for the value we offer. Margins, as I already said, we keep the margin requirement of the company's benchmark at a particular level and so long as we are getting prices which gives us those margins, if we are happy with it, we will not be in a price war or a reduction of rates just to get volume or revenue share. So our margins are more or less in a similar range as we have been.

Abhishek Ghosh: Okay. And so just one other thing, in the overall mix for you, given that the road segment will grow faster than the air, over a three to five year period, can we expect a 50% contribution each from road and air to come in? Did you envisage that kind of scenario to kind of pan out?

Vaidyanathan Iyer: You all have great modules which can give this answer. I don't think we could make any statement on that.

Abhishek Ghosh: Okay, fair enough. So in terms of your capex, how should we look at it because you've added two aircrafts now, what is the next plan of action given that you're generating a healthy amount of cash per seat according to your balance sheet? How should one look at the capital allocations?

Vaidyanathan Iyer: See, with the volumes growing on certain segments like the air B2C and the ground, there would be some need of facility ramp up and automation on the larger sorting facilities. So there would be some amount of allocation from that side. The aircraft allocation, once you have added two, at least there won't be any immediate need for adding more capacity till unless the market grows substantially beyond our expectations. The more investments would be on the facilities and automation, digitalization.

Abhishek Ghosh: Okay, so that would be meaningful, right? Automotion and digitalization. Capex would be in the region of INR80 crores to INR100 crores annually?

Vaidyanathan Iyer: Normally, whatever is our range, if you look at an average of, other than the aircraft inductions, any average year we took, we will continue to invest that. It could be slightly more than that also.

Abhishek Ghosh: Okay, got that. And so just in terms of the road part of the business, how does your pricing vis-a-vis peers are due charge a premium for the kind of service that you provide or any thoughts on the same? Do you charge a premium if yes? What is the range of quantum of the firm?

Vaidyanathan Iyer: See, as we said, premium is a very relative term. If the customer sees value in what we are offering and we are incurring that additional resources to give them that value, it's a value for money.

Ketan Kulkarni: Yes, and our yields are higher than competition. Just to kind of clear the air if you had any, Abhishek.

Alok: Thank you. Thank you so much. So sir, we'll just take the last question now since we're almost out of time. So it is a follow-up on the question which you had answered regarding the railway question as to how the competition from railways is coming like. And you mentioned you got some study done from the big four. So any inputs or insights you can share from that report or from that study? That would be the last question, in which area?

Alok: No, just a couple of questions. Back you mentioned about you worked with the big four to get some insights on which mode to use the railway route and...

Ketan Kulkarni: No, no, that was not more specific. That was a whole network study and how we kind of champion and govern the network in the country going ahead. So while it had an element of mode, it has the element of infrastructure, sizing, centers of gravity for that infrastructure, what kind of automation needs to go in, what are the tech highways that need to be created. So it was a very holistic and encompassing kind of study. So to pluck out only rail from that will not do justice to that study and I would not like to go there.

Alok: Sure, got it. Thank you so much, sir. I think we are completely out of time now. So any closing comments from your side, sir?

Ketan Kulkarni: No closing, but definitely appreciation for everybody who was on the call and was interested in learning more about Blue Dart. The questions were very sharp and we are kind of happy to engage with the community on a periodic basis. And thank you also for hosting the call, Alok and Motilal Oswal, over to Iyer and Sudha.

Vaidyanathan Iyer: Thanks for organizing this, Alok, and to all for engaging in such meaningful discussions. Thanks.

Alok: Thank you, thank you. Thank you so much, everyone, for joining and thanks to the management team of Blue Dart for allowing us to host this call. Look forward to hosting you again, sir. Thank you. Thank you. Have a great evening, everybody.

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